



HF 452 – Biodiesel Retailer Tax Credit (LSB 1861HV.1)

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Fiscal Note Version – Revised

Description

House File 452 relates to biodiesel production and retail tax incentives. The Bill extends and amends Iowa's current three cents per gallon Biodiesel Blended Fuel Tax Credit retail incentive. In addition, the Bill:

- Eliminates the requirement that diesel gallon sales meet a threshold of at least 50.0% biodiesel to qualify for the credit and eliminates the requirement that the tax credit be calculated separately for each retail site owned by the same company.
- Raises the minimum percent biodiesel required for a gallon to qualify for a tax credit from the current 2.0% (B-2) to 10.0% (B-10).
- Extends the sunset date for the tax credit by three years, to January 1, 2015.
- Increases the credit to ten cents per gallon of biodiesel blended fuel.

The Bill is effective January 1, 2012.

Assumptions

1. The Department of Revenue 2009 Retailers Motor Fuel Gallons Annual Report states that a total of 205.2 million gallons of B-2 or higher biodiesel gallons were sold at retail in CY 2009, according to reports filed with the Department by retailers.
2. For CY 2012 through CY 2014, biodiesel blended gallons sold at retail are assumed to be:
 - a. CY 2012 = 220.0 million
 - b. CY 2013 = 236.0 million
 - c. CY 2014 = 252.0 million
3. For each calendar year, 11.3% of the total biodiesel gallons sold is assumed to be B-10 or higher. This 11.3% figure is composed of 18.0% B-10 for the months of April through October and 2.0% for the remaining five months.
4. Tax credits earned in CY 2012 are assumed to impact FY 2012 (20.0%) and FY 2013 (80.0%). The CY 2013 and CY 2014 sales will have the same pattern.
5. The volumes of pure biodiesel involved in this incentive are insufficient to significantly impact the calculation of the Ethanol Promotion Tax Credit.
6. The \$1.00 per gallon federal blender's credit, set to expire December 31, 2011, will be extended to at least December 31, 2014.

Fiscal Impact

Redemption by taxpayers of the revised and extended refundable Biodiesel Blended Fuel Tax Credit is projected to decrease net General Fund revenue by \$8.0 million over four fiscal years. See the following chart for more detail.

Biodiesel Blended Fuel Tax Credit Extension and Revision				
Calendar Year	Biodiesel Blended Gallons	Biodiesel Gallons B-10 or Higher	Tax Credit General Fund Revenue Reduction	Fiscal Year
CY 2012	220,000,000	24,933,333	\$ 498,667	FY 2012
CY 2013	236,000,000	26,746,667	2,529,600	FY 2013
CY 2014	252,000,000	28,560,000	2,710,933	FY 2014
	N/A	N/A	2,284,800	FY 2015
	708,000,000	80,240,000	\$ 8,024,000	

Over the course of three calendar years, this fiscal estimate translates to 8.0 million gallons of pure biodiesel sold as part of B-10 or higher blends. The \$8.0 million in tax credits equates to \$1.00 per gallon of pure biodiesel consumed as a component of those B-10 or higher blends.

The Biodiesel Blended Fuel Tax Credit is refundable, so it does not impact the Local Option Income Surtax for Schools.

Sources

Department of Revenue 2009 Retailers Motor Fuel Gallons Annual Report
Department of Revenue Tax Credit Contingent Liabilities Report
Legislative Services Agency Analysis

/s/ Holly M. Lyons

March 9, 2011

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to Code [Section 2.56](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
